

MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

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- Statement of the need for the proposed major regulation.

Statement of Need for the Proposed Regulation
Streets and Highways Code Section 118.6 states that Caltrans, to the greatest extent possible, will offer to sell or exchange property that has been determined by Caltrans to be excess to their needs. Government Code Sections 54235 through Section 54238.7 known as the Roberti Act and amended by SB 416 in 2013 which includes priorities for disposal of residential properties originally acquired for the SR 710 extension in the cities of Los Angeles, South Pasadena, and Pasadena and includes requirements that the agency impose terms, conditions, and restrictions to ensure that housing will remain available for low or moderate income households. Together, these codes provide Caltrans with direction to establish a program that includes both excess property sales and an affordable housing program. Adoption of the proposed Affordable Sales Program (ASP) regulations will allow Caltrans to dispose of the surplus parcels of residential real property and endeavor to meet the intended goal of the Legislature of preserving and expanding the availability of low and moderate income housing supply.
- The categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of the economic impact on each such category.

This analysis assesses the direct impact of renters and purchasers of surplus parcels of residential real property owned by Caltrans from two distinct situations; 1) households currently renting at affordable rates electing to purchase their parcel at an Affordable price, and 2) households renting FMV parcels at rents significantly under comparable FMV rents displaced by households purchasing these parcels and have higher incomes necessary to qualify for their purchase. The analysis compares the net difference in disposable income for each situation to determine the economic impact to the region.
Proceeds from the sale of surplus parcels of residential real property owned by Caltrans are to be used to fund transportation projects in the immediate vicinity of the affected communities. This analysis uses an input-output model to assess the economic impacts from the annual investment of these funds. Investment of funds for transportation projects result in direct, indirect and induced employment, output and value added benefits. Proceeds are applied to the year immediately following sale of properties and measure the short-term (1-year) impact.
The use of economic multipliers and input-output models provides an assessment of total impacts on the regional economy. This assessment does not include impacts to individual businesses. The proposed regulation does not impose direct restrictions or reporting requirements on individual businesses that would result in a financial burden. Individual business may be indirectly impacted from changes in disposable incomes.
- Description of all costs and all benefits due to the proposed regulatory change (calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency).

Costs - The total costs for the Regulation for the six year analysis period is estimated to be \$105 million dollars. This includes:
• Maintenance services are estimated to reduce from \$4.9m in 15/16 to \$0 in 20/21. The total cost to Caltrans is \$12.6 million. • The total paid by Caltrans for historic property monitoring is estimated at \$1 million
• The property management staff is estimated to cost approximately \$1.9 million in 15/16, reducing to \$375,000 in 20/21. The total cost paid by Caltrans is approximately \$8 million. • To sell the properties, it is estimated at \$1.6 million in 15/16 increasing to \$3.8 million in 18/19. This includes the closing cost. The total cost paid by Caltrans is estimated to be \$16 million. • The relocation assistance Caltrans pays is estimated to be \$2.5 million. • The 24% the State pays to LA County drops from \$1.3million in 15/16 to \$0 in 20/21. The total cost paid by Caltrans is \$3.7 million.
• Mortgage payments are estimated to increase from \$1.5 million in 15/16 to \$16 million in 20/21. The total cost paid by individuals is estimated to be \$42 million.
• The total rent paid by individuals is estimated to be \$15.6 million. • The closing costs paid by buyers is estimated to be \$3700 per property (Zillow), this is approximately \$1.8 million for the analysis period.
Benefits- For the six year analysis period, the total statewide benefit is estimated to be \$335 million. Included in this total is
• Property Sales paid to the state are estimated to be \$260 million.; • Total rent paid to the state is estimated to be \$15.6 million.
• Disposable income for individuals is estimated to be \$2 million.; • Relocation assistance to individuals is estimated to be \$2.5 million. • Maintenance services paid to the locals and others is \$15 million. Salaries paid to property management and sales employees is \$24 million.
• Property tax assessment and 24% paid to the LA County is estimated to be \$15 million.; • The total paid to the locals for historic property monitoring is estimated at \$1 million. ;
- Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed \$50 million.

This analysis assumes 398 Roberti properties will be sold, (complete close of escrow), during the five years beginning in the 15/16 fiscal year. The benefits are calculated as shown below:

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|-------|--------------|
| 15/16 | \$42 million |
| 16/17 | \$62 million |
| 17/18 | \$75 million |
| 18/19 | \$75 million |
| 19/20 | \$75 million |
| 20/21 | \$ 5 million |

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5. Description of the agency's baseline:

Without the proposed ASP Regulation, the properties would not be sold, and the properties would continue to be rented as they are today. The baseline is based on the Bureau of State Audits 2011-120, August, 2012, (2012 Audit) in addition to information obtained from the Division of Right of Way.

The total statewide benefit for the baseline for the six year analysis period is \$85 million and the statewide cost is \$85 million. See chart labeled BASELINE (w/o Regulations) in SRIA.

Per 2012 Audit and Division of Right of Way,

- 398 single family residences and multifamily residence are owned by Caltrans, most are rented;
- CT received ~\$4.8 million/yr in rent;
- LA County (24%) received ~\$1.15 million/yr • DGS and private contractors received ~\$5.5 million/yr to make repairs; • CT support costs for property management ~ \$2million;

Annual Total Benefits: \$ 13,500,000 Annual Total Costs: \$ 13,500,000

6. For each alternative that the agency considered (including those provided by the public or another governmental agency), please describe:

- All costs and all benefits of the alternative
- The reason for rejecting alternative

The first alternative assumes that instead of 100 properties being sold at an affordable price that an additional 20% will be sold and the total number will be 120 single family homes sold at an affordable price. We are assuming that the same number of properties will sell at a reasonable price. This alternative will reduce the number of homes sold at FMV to 228.

Cost and Benefit: The total benefit for Alternative 1 in the six year analysis period is \$320 million and the total cost is \$105 million.

Reason for Rejecting – This is good alternative that assumes 20 additional properties sell at an affordable price.

The second alternative assumes the number of properties sold at an affordable price is reduced by 20%. The multifamily sales will remain the same. For alternative 2 we will assume 80 homes will sell affordably and 50 homes will sell reasonably. This will increase the number of homes that sell at FMV to 268.

Costs and Benefits:

The total benefit for Alternative 2 in the six year analysis period is approximately \$350 million and the total cost is approximately \$105 million.

Reason for Rejecting

Even though this alternative provides the biggest benefit to the state, the ASP regulations are trying to provide as many properties at an affordable price as possible.

7. A description of the methods by which the agency sought public input. (Please include documentation of that public outreach).

Caltrans held two public workshops, on October 23, 2013 and October 24, 2013, to gather input to address the issues deemed most important to the public. Caltrans held the public workshops in El Sereno and Pasadena to receive comments from current tenants, former tenants, and the general public. These comments were reviewed, evaluated, and, as Caltrans deemed appropriate, incorporated into the proposed regulations. Caltrans held three public hearings on July 15, 2014, July 17, 2014, and August 21, 2014 to take under submission all written and oral statements submitted or made during these hearings. As required by the Administrative Procedures Act, the text of the proposed regulations, Initial Statement of Reasons, Notice of Proposed Rulemaking and Extension Notices are posted to the internet here: <http://www.dot.ca.gov/regulations.htm>

News releases were distributed on May 30, 2014 announcing the public written comment period open as of that date through 5:00 p.m. on July 14, 2014. On July 14, 2014 a news release was posted notifying of an extension of the written public comment period to 5:00 p.m. July 31, 2014 and on August 1, 2014 a news release was posted notifying of the second extension of the written public comment period to 5:00 p.m. September 2, 2014.

- Ads were posted in three (3) newspapers to increase public awareness of the proposed regulations, written comment period and public hearings.
- May 29, 2014, Caltrans mailed a package to all tenants and other interested parties which included an Information Notice (attached) regarding the property sales for the SR 710 Corridor and the text of the proposed regulations.
- July 14, 2014, the notice of extension of the written public comment period to July 31, 2014 was mailed to all tenants and interested parties.
- July 30, 2014 the (second) notice of extension of the written public comment period notice to September 2, 2014 was mailed to all tenants and interested parties.

8. A description of the economic impact method and approach (including the underlying assumptions the agency used and the rationale and basis for those assumptions).

The economic impact assessment was derived using regional economic multipliers (RIMSII, Type II Output) to estimate employment, output and value added from changes in disposable income due to the sale of surplus parcels of residential real property owned by Caltrans. Also, State law requires the proceeds from the sale of surplus properties be used to fund transportation infrastructure investments in the immediate vicinity of the affected communities. The economic impacts from these investments are evaluated using an imbedded input-output model to the TREDIS Transportation Economic Impact Model, providing employment, output and value added effects. Changes in disposable incomes result from the purchase of properties at an affordable price occupied by the current tenant, and the difference between the rent paid by the occupant and the estimated mortgage payment after purchase. It also includes differences in estimated qualifying income necessary to rent FMV parcels and the estimated qualifying income required to purchase the same parcel at FMV. Historically, Caltrans has rented the parcels, including parcels that we estimate will sell for an affordable or reasonable price, well below comparable rates in the surrounding area. A list of the assumptions used to complete the economic impact assessment and the rationale and basis. Change in disposable income from the purchase of properties at an Affordable Price Assumptions: • 100 Single family parcels would be sold at an affordable price to existing tenants; • 41 multifamily parcels and 9 single family parcels would be sold to public/private housing authorities at a reasonable price; • Existing rent is based on the average rent paid as described in the California State Auditor, August 2012 Report; • Rent was adjusted to reflect the Affordable, Reasonable and FMV prices and the average rent established from the California State Auditor, August 2012 Report; • Values for properties purchased at Affordable and at FMV prices was determined by the 2012 Audit. The 2012 Audit states that the affordable price will be approximately 17% of FMV. The Reasonable Price of 60% of FMV was based on advice and expertise from Right of Way; • The Bureau of Labor Statistics reports the average household in L.A. County spends 37% of its income on housing; • Mortgage terms used to establish average mortgage payment: 30 conventional, 10% down payment at 4% interest; • The number of Affordable, Reasonable and FMV parcels sold each year were estimated using the 5 year property sell analysis period; • Rent to existing tenants was escalated 5% annually; • Values of parcels were escalated 10% per year from 2012-2014 based on Trullia and Zillow and then 5% each year; • Mortgage payments were escalated 2% each year to reflect increased property tax payments. Change in disposable income from the purchase of FMV parcels. Assumptions: • 25% of FMV parcels would be purchased by existing tenants and 75% would be purchased by non-tenants; • Estimated household income from all non-tenants purchasing parcels would fully displace estimated household incomes from previous tenants; • All other assumptions described above were applied. Sales of 41 multifamily units were excluded from this analysis because it is assumed that affordable housing organizations would purchase these units, renting them to qualifying households with low and moderate incomes. Caltrans does not expect a significant change in household income the regions from the sale of these parcels. The economic impact assessment was carried over six years in accordance with the SRIA analysis period.

Agency Signature

Date

Agency Head (Printed)

12/4/2014